

SENATE BILL NO. 472

INTRODUCED BY F. THOMAS

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE RATE OF THE SEVERANCE TAX ON COAL;
AMENDING SECTION 15-35-103, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-35-103, MCA, is amended to read:

"15-35-103. (Temporary) Severance tax -- rates imposed. (1) ~~(a)~~ A severance tax is imposed on each ton of coal produced in the state in accordance with the following schedule:

Heating quality	Surface Mining	Underground Mining
(Btu per pound of coal):		
Under 7,000	10% <u>3.34%</u> of value	3% <u>1%</u> of value
7,000 and over	15% <u>5%</u> of value	4% <u>1.3%</u> of value

~~(b) The rate of taxation for coal that meets the following conditions is one-third the applicable rate set forth in subsection (1)(a), rounded to the nearest 10th of a percent:~~

~~—— (i) The coal is used for the production of electricity within the state in an electrical generation facility that was constructed after December 31, 2001, and before January 1, 2008.~~

~~—— (ii) The electrical producer agrees to offer, for use within the state, the first one-half of the amount of power that it produces to Montana customers and distribution services providers at a cost to be set by the public service commission that reflects the producer's cost of generating the electricity plus a reasonable return on investment.~~

(2) "Value" means the contract sales price.

(3) The formula that yields the greater amount of tax in a particular case must be used at each point on the schedule.

(4) A person is not liable for any severance tax upon 50,000 tons of the coal that the person produces in a calendar year, except that if more than 50,000 tons of coal are produced in a calendar year, the producer is liable for severance tax upon all coal produced in excess of the first 20,000 tons.

(5) In addition to the exemption described in subsection (4), a person is not liable for any severance tax

1 upon up to 2 million tons of coal that the person produces as feedstock for coal enhancement facilities in a
 2 calendar year, except if more than 2 million tons of coal are produced as feedstock for coal enhancement
 3 facilities in a calendar year, the producer is liable for severance tax on all coal produced as feedstock for these
 4 facilities in excess of the first 2 million tons. (Terminates December 31, 2005--sec. 5, Ch. 318, L. 1995.)

5 **15-35-103. (Effective January 1, 2006) Severance tax -- rates imposed.** (1) ~~(a)~~ A severance tax is
 6 imposed on each ton of coal produced in the state in accordance with the following schedule:

7 Heating quality	Surface	Underground
8 (Btu per pound of coal):	Mining	Mining
9 Under 7,000	10% <u>3.34%</u> of value	3% <u>1%</u> of value
10 7,000 and over	15% <u>5%</u> of value	4% <u>1.33%</u> of value

11 ~~(b) The rate of taxation for coal that meets the following conditions is one-third the applicable rate set~~
 12 ~~forth in subsection (1)(a), rounded to the nearest 10th of a percent:~~

13 ~~—— (i) The coal is used for the production of electricity within the state in an electrical generation facility that~~
 14 ~~was constructed after December 31, 2001, and before January 1, 2008.~~

15 ~~—— (ii) The electrical producer agrees to offer, for use within the state, the first one-half of the amount of~~
 16 ~~power that it produces to Montana customers and distribution services providers at a cost to be set by the public~~
 17 ~~service commission that reflects the producer's cost of generating the electricity plus a reasonable return on~~
 18 ~~investment.~~

19 (2) "Value" means the contract sales price.

20 (3) The formula that yields the greater amount of tax in a particular case must be used at each point
 21 on the schedule.

22 (4) A person is not liable for any severance tax upon 50,000 tons of the coal that the person produces
 23 in a calendar year, except that if more than 50,000 tons of coal are produced in a calendar year, the producer
 24 is liable for severance tax upon all coal produced in excess of the first 20,000 tons."

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26 **NEW SECTION. Section 2. Effective date.** [This act] is effective July 1, 2003.

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